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13 JUN 1978

Mr. Joseph F. Malaga, Executive Director
Administrative Services Reorganization Project
Office of Management and Budget
Washington, D.C. 20405

Dear Mr. Malaga:

The opportunity to comment on the Draft of the "Administrative Services Reorganization Project, Real Property Task Force Findings and Alternatives," as is the submittal extension to 14 June, granted by Mr. Inglefee of your staff, is appreciated. Because of the scope of the recommendations contained in the study, detailed comments on each of the alternatives are provided in an enclosure to this letter. It is considered, however, that the following overview should be presented to express the Central Intelligence Agency's (CIA) position with regard to proposals made.

CIA's interpretation of the totality of the Task Force draft is that there is a definite thrust toward centralization of policy, regulations, standards, and execution of all Federal real property activities. CIA concurs in centralized policy and regulation as is now being done by the Office of Federal Procurement Policy (OFPP) with regard to standardized Federal regulations for procurement. (It is noted that OFPP has recently circulated a study by the Federal Construction Council on procurement policy for construction; it is presumed that this study is being considered as a part of the Task Force findings.) CIA believes, however, that OFPP, or some other regulatory entity, should promulgate centralized policy and regulations as opposed to selection of any agency that is also responsible for implementation and compliance. CIA is less enthusiastic about centralization of standards and procedures for real property activities. Many agencies, CIA included, have developed special expertise in real property in order to meet their unique requirements. The preferred approach from our viewpoint would be standardized policy with leeway for each agency with real property capability to establish its own implementing procedures and standards.

CIA is definitely opposed to centralized execution of all Federal facilities acquisition and operation. This position is based on our broad experience in both domestic and foreign facilities acquisition and operation. Over the years, CIA's real estate and construction element has worked extensively with the Corps of Engineers, Navy Facilities Engineer Command, Foreign Building Operations, Agency for International Development,

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Mr. Joseph P. Malaga

Page 2

and the General Services Administration, and, accordingly, feels qualified to comment on the relative effectiveness of these organizations. It is considered that execution by one agency of all Federal real property activities would encompass such a massive program as to be counterproductive. Certainly, single agency responsibility would necessitate creation of a mammoth organization with concurrent, higher risks of increased overhead, bureaucratic delays, and insensitivity to specialized requirements. Certainly, CIA recognizes the value of GSA provided, centralized real property services in urban areas with high Federal concentrations. It is not, however, considered that GSA, with its very small share of Federal facilities construction and operation, has either the scope or the technical expertise to undertake the totality of domestic real property functions. As noted in our letter to you of 4 November 1977, CIA, although satisfied with GSA's provision of the totality of centralized administrative services support, has experienced continuing problems with timely and effective acquisition, maintenance, and modification of facilities through GSA. It is believed that GSA could improve the effectiveness of current operations in its arena of urban Federal facilities before assuming a program many orders of magnitude beyond its current capability.

With regard to revision of restrictive ceilings on real property activities as imposed by legislation or regulatory issuance, CIA is, as delineated in the attachment, definitely in favor of increased ceilings. It is recommended, however, that consideration be given to inclusion of provision for automatic, future upward adjustments based on accepted statistical indicators of inflation.

With regard to delegation of authorities to agencies with existing real property capabilities, CIA endorses delegation to the maximum extent.

It should again, be noted that CIA, by virtue of its enabling legislation plus a specific exemption in the Federal Property and Administrative Services Act of 1949, is authorized to perform its own real property-related activities in support of unique, operational requirements.

In summary, CIA:

- Supports a central policy and regulation for real property activities, but believes promulgation should rest in a nonexecuting entity such as OFPP.

- Recommends that implementing standards and procedures of Federal regulations and policy be left to those individual agencies who have a real property capability.

- Recommends against centralization of all Federal real property activities in any one single entity.

- Endorses raising of restrictive monetary ceilings on real property activities.

- Endorses maximum delegation to qualified agencies, and

- Restates its authority to act independently where its unique, operational requirements are impacted.

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[REDACTED], Executive Officer, Office of Logistics
[REDACTED], remains CIA's action officer for this project and should be contacted if specific data is required. Should broader policy questions arise, however, please contact me directly.

Sincerely,

[Signature]
John F. Blake
Deputy Director
for
Administration

Enclosure

Distribution:

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Originating Office:

/s/ James H. McDonald

12 JUN 1978

James H. McDonald
Director of Logistics

Date

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(12 June 1978)

ISSUE I -- CENTRALIZATION/DECENTRALIZATION

IA - Leasing

Alternative 2, which gives GSA total authority to regulate all leasing services and authority to execute or delegate these services, is endorsed as it provides the most flexibility of the two alternatives presented. Adoption of either alternative would not inhibit CIA's statutory authority to acquire real property when such acquisition is determined to be in the National interest.

IB - Construction

Alternative 3, which vests in GSA total authority to regulate new construction, repair, and alteration services but allows agencies the latitude of constructing of nonoffice type space and office type space on agency installations, is preferred over Alternatives 1 and 2. As noted in the overview letter, CIA does not recommend vesting total construction in a single entity.

IC - Building Operations

Alternative 2 which gives GSA total authority to regulate building operations and authority to execute or delegate the execution of those services is favored over Alternative 1. This Agency, however, would continue to be exempt from certain reporting requirements (employee names, personnel strengths, functions, etc.) and continue to insist upon the use of certain security measures such as clearance or escort of GSA/contractor personnel.

ID - Disposal

The (only) alternative, to vest in GSA total authority to regulate and execute or delegate the execution of utilization and disposal of real property, is an example of overcentralization. Adoption of this alternative would, in effect, give GSA regulatory authority over itself as the executing agency.

ISSUE II - FIXED LIMITATIONS

IIA - Leasing

The alternative to change the Economy Act of 1932's threshold from \$2,000 to 5,000 square feet and allow a deduction for real estate taxes in computing the 15% limitation on fair market value is endorsed.

The alternative to change E.O. 11512 to vest final authority in GSA to resolve space assignment disagreements is opposed. A system without an appeal mechanism is considered inadvisable. Certainly, as the principal staff agency involved, GSA's recommendations should be given great weight, but it is believed that authority to resolve issues of space needs should reside in a nonexecuting agency.

The alternative to allow GSA to pay for options to acquire interests in real property is viewed as a proper function and one which would facilitate acquisition.

The proposal to authorize GSA to convey an interest in Government-owned land for lease construction (lease back) projects could, on a case-by-case basis, prove beneficial to the Government and is, therefore, recommended for adoption.

Adoption of the alternative calling for revision of the prospectus criteria from \$500,000 to 125,000 square feet should receive strong support. There is no doubt that the Congress needs, and would want, to retain some control of leasing activities, but the current criteria are grossly consumptive of time and an impediment to efficient operation of the real property function.

IIB - Construction

Alternative 1, to revise the statutory limit to permit A-E fees up to 9% on all renovation, remodeling or rehabilitation projects; to keep the 6% limit on new construction; and to eliminate the audit requirement for fees exceeding \$100,000 is a sound proposal, the adoption of which is endorsed by this Agency.

Revision of the Davis-Bacon Act by raising the threshold to \$40,000 is appropriate. It should be noted that the Federal Construction Council and the Commission on Government Procurement have, in their most recent review of the problem, recommended a threshold of \$25,000. Any new legislation which establishes minimum or maximum dollar amounts should also contain an escalator clause tied to the CPI which would alleviate at least one of the problems currently confronted by the executing agency.

The identical rationale would apply to amendment of the Miller Act (from \$2,000 to \$40,000) for payment and construction bonds on Federal construction projects.

Revision of the Public Buildings Act of 1959 to raise the threshold amount from \$500,000 for new construction and repair and alteration projects to \$2,500,000 (again with some type of escalator clause) is long overdue and would be strongly endorsed by this Agency.

IIC - Building Operations

Amendment of the Federal Property and Services Act (FPAS) to allow GSA to contract selectively for building operations for periods up to three years is definitely in the best interests of the Government.

The proposal to change the current requirement for determining individual wage rates by publishing such rates on a geographical basis and keeping them in effect until superseded is favored as a method for increasing efficiency and eliminating untimely delays.

Allowing GSA to effect the direct hire of temporary employees to meet workload fluctuations is deemed in the best interests of the Government.

IID - Disposal

The alternative to amend Section 3(c) of the FPAS to vest in GSA final authority for the determination of excess real property is not viewed favorably. It is agreed that an authority, such as the now defunct Federal Property Council, is required but again, it is recommended against vesting regulatory authority in an implementing agency.

Alternative 1, amendment of Section 204 of the FPAS to allow funding of real property utilization and disposal activities, is viewed as a viable alternative to the current situation.

Amending Section 204 of the FPAS to authorize the reimbursement to any Federal agency of the net proceeds of sale from its real property is an attractive proposal. However, one caveat should be placed on this proposal--it should not be adopted if that same agency receives total authority for the disposal of real property.

ISSUE III - FUNDING MECHANISMS

Alternative 1, that of establishing the Federal Building Fund (FBF) as a true revolving fund, is the most favored of those presented. Especially significant is the capability such a fund would have to reprogram monies collected and abolishment of the requirement to return funds to the Treasury as miscellaneous receipts. Once this type of FBF has a chance to operate, it is believed that many of the delays in service currently being felt will disappear.

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Next 1 Page(s) In Document Exempt

Approved For Release 2002/01/08 : CIA-RDP85-00759R000100150010-9



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Administrative Services Reorganization Project
GS Building
18th & F Sts. NW
Washington, DC 20405



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MEMORANDUM

TO: Heads of Executive Agencies and Establishments

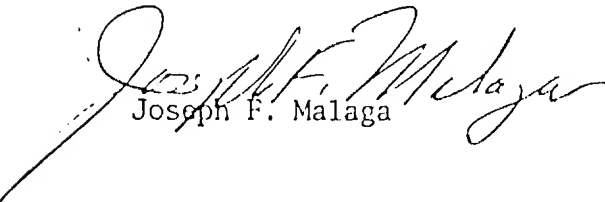
FROM: Joseph F. Malaga, Executive Director

SUBJECT: Transmittal of Draft Reports - Administrative Services
Reorganization Project

Last October 25, we asked for your views on how best to improve the delivery of administrative services within the Federal Government. Since that time, we have conducted an extensive study, and have prepared a series of service improvement alternatives related to real property, archives and records, supply and support services, and telecommunications. The first of four task force reports to be issued in draft over the next several weeks - real property - is enclosed. Others will be forwarded within the next 30 days. A fifth report on our overall assessment and organizational alternatives will be forthcoming after comments on the draft task force reports have been reviewed.

Many of the largest departments and agencies have represented the Federal interest during the project through the Assistant Secretaries' Management Group and the General Services Advisory Council. It is essential, however, that all agencies be given adequate opportunities to review the work of the project staff and register their views vis-a-vis the alternatives presented.

Please review the enclosed draft on real property services and give us your written comments by June 7, 1978. Comments should be sent to the Administrative Services Reorganization Project, GS Building, 18th and F Streets, NW, Washington, DC 20405.


Joseph F. Malaga

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